and Budget, room 3001, New Executive Office Building, Washington, DC 20503.

Lois K. Holland,

Departmental Reports Management Officer.

[FR Doc. 94-5082 Filed 3-4-94; 8:45 am]

BILLING CODE 4830-01-M

Public Information Collection Requirements Submitted to OMB for Review

February 28, 1994.

The Department of Treasury has submitted the following public information collection requirement(s) to OMB for review and clearance under the Paperwork Reduction Act of 1980, Public Law 96-511. Copies of the submission(s) may be obtained by calling the Treasury Bureau Clearance Officer listed. Comments regarding this information collection should be addressed to the OMB reviewer listed and to the Treasury Department Clearance Officer, Department of the Treasury, room 2110, 1425 New York Avenue, NW., Washington, DC 20220.

Bureau of the Public Debt

OMB Number: 1535-0086.

Form Number: PD F 5262.

Type of Review: Extension.

Title: Reinvestment Request for Treasury Notes and Bonds.

Description: This form is used to request the reinvestment of a Treasury note or bond at maturity, to cancel a reinvestment request or change a reinvestment that was previously requested.

Respondents: Individuals or households, Businesses or other for-profit.

Estimated Number of Respondents: 140,000.

Estimated Burden Hours Per Response: 6 minutes.

Frequency of Response: On occasion.

Estimated Total Reporting Burden: 14,000 hours.

Clearance Officer: Vicki S. Ott (304) 480-6553, Bureau of the Public Debt, 200 Third Street, Parkersburg, West VA 26106-1328.

OMB Reviewer: Milo Sunderhauf (202) 395-6880, Office of Management and Budget, room 3001, New Executive Office Building, Washington, DC 20503.

Lois K. Holland,

Departmental Reports Management Officer.

[FR Doc. 94-5083 Filed 3-4-94; 8:45 am]

BILLING CODE 4810-40-M

Public Information Collection Requirements Submitted to OMB for Review

February 28, 1994.

The Department of the Treasury has submitted the following public information collection requirement(s) to OMB for review and clearance under the Paperwork Reduction Act of 1980, Public Law 96-511. Copies of the submission(s) may be obtained by calling the Treasury Bureau Clearance Officer listed. Comments regarding this information collection should be addressed to the OMB reviewer listed and to the Treasury Department Clearance Officer, Department of the Treasury, room 2110, 1425 New York Avenue, NW., Washington, DC 20220.

Bureau of Alcohol, Tobacco and Firearms

OMB Number: 1512-0137.
Form Number: ATF F 5150.22.
Type of Review: Extension.
Title: Application for an Industrial Alcohol User Permit.
Description: ATF F 5150.22 is used to determine the eligibility of the applicant to engage in certain operations and the extent of the operations for the production and distribution of specially denatured spirits (alcohol/rum). The form identifies the location of the premises and establishes whether the premises will be in conformity with Federal laws and regulations.
Respondents: Small businesses or organizations.
Estimated Number of Respondents: 850.
Estimated Burden Hours Per Respondent: 2 hours.
Frequency of Response: On occasion.
Estimated Total Reporting Burden: 1,700 hours.

OMB Number: 1512-0469.
Form Number: None.
Type of Review: Extension.
Title: Labeling of Sulfites in Alcoholic Beverages.
Description: In a final rule published in the **Federal Register** on July 9, 1986 (51 FR 25012) the Food and Drug Administration established 10 parts per million as the threshold for declaration of sulfites in food and wine products. The Bureau of Alcohol, Tobacco and Firearms on September 30, 1986, published a final rule (ATF-236) (51 FR 34706) establishing the threshold for declaration of sulfites in alcoholic beverages.
Respondents: Businesses or other for-profit, Small businesses or organizations.
Estimated Number of Respondents: 4,787.
Estimated Burden Hours Per Respondent: 40 minutes.
Frequency of Response: On occasion.
Estimated Total Reporting Burden: 3,159 hours.

OMB Number: 1512-0482.
Form Number: ATF Reporting Requirement 5100/1.
Type of Review: Extension.
Title: Labeling and Advertising Requirements under the Federal Alcohol Administration Act.
Description: Under the Federal Alcohol Administration Act, bottlers and importers of alcoholic beverages are required to display certain information for consumers on labels and in advertisements. Other optional statements are also required.
Respondents: Businesses or other for-profit, Small businesses or organizations.
Estimated Number of Respondents: 6,060.
Estimated Burden Hours Per Respondent: 1 hour.
Frequency of Response: On occasion.
Estimated Total Reporting Burden: 1 hour.
Clearance Officer: Robert N. Hogarth (202) 927-8930, Bureau of Alcohol, Tobacco and Firearms, room 3200, 650 Massachusetts Avenue, NW., Washington, DC 20226.
OMB Reviewer: Milo Sunderhauf (202) 395-6880, Office of Management and Budget, room 3001, New Executive Office Building, Washington, DC 20503.

Lois K. Holland,

Departmental Reports Management Officer.

[FR Doc. 94-5084 Filed 3-4-94; 8:45 am]

BILLING CODE 4810-31-P

Office of Thrift Supervision

[No. 94-17]

Capital and Accounting Standards; Annual Report to Congressional Committees

AGENCY: Office of Thrift Supervision, Treasury.

ACTION: Notice.

SUMMARY: Pursuant to the reporting requirements of section 121 of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), we have submitted our annual report to the Chairman and ranking minority member of the Committee on Banking, Housing, and Urban Affairs of the Senate and the Chairman and ranking minority member of the Committee on Banking, Finance and Urban Affairs of the House of Representatives identifying the differences between the capital and accounting standards used by the Office of Thrift Supervision (OTS) and the capital and accounting standards used by the other Federal banking agencies (Banking Agencies).

Our report contains two attachments. Attachment I, "Summary of Differences in Capital Standards," identifies and explains the reasons for differences in the capital standards applied by OTS from those capital standards applied by the Banking Agencies. Attachment II, "Summary of Differences in Accounting Practices," identifies and explains the reasons for the major differences between OTS and the Banking Agencies in supervisory reporting practices that affect their respective capital standards.

Despite some differences, the capital and accounting rules of OTS generally parallel those of the Banking Agencies (collectively, the "Agencies"). Many of the differences are a result of either statutory requirements (*e.g.*, goodwill) or historical differences between the banking and thrift industries (*e.g.*, investment authorities, mutual form of organization). Moreover, the Agencies continue to work together to minimize the differences.

The capital standards of OTS comply with the statutory requirement of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), which provides that OTS standards be no less stringent than the standards applied to national banks.

FOR FURTHER INFORMATION CONTACT: Robert Pomeranz, Senior Accountant, Accounting Policy, (202) 906–5650; John F. Connolly, Program Manager for Capital Policy, (202) 906–6465; Policy, Office of Thrift Supervision, 1700 G Street, NW., Washington, D.C. 20552.

SUPPLEMENTARY INFORMATION:

Attachment I

Summary of Differences in Capital Standards

FDICIA requires a report to Congress on the differences in the bank and savings association capital standards. Below is a summary of the differences.

A. Major Differences

1. Interest Rate Risk Component

Interest Rate Risk Component: OTS adopted an interest rate risk component to its risk-based capital rule, which is effective January 1, 1994. Under the new rule, institutions with an above normal level of interest rate risk will be subject to a capital charge commensurate with their risk exposure. The Banking Agencies intend to adopt an interest rate risk component in 1994. The interest rate risk component adopted by OTS will differ from that which is expected to be adopted by the Banking Agencies in important respects, namely, the methodology used to measure interest rate exposure and the data used to measure exposure.

Reason for OTS Difference: Because interest rate risk is a significant risk to savings associations, OTS believes that it is important to use a relatively sophisticated model to measure the interest rate risk exposure of individual institutions. OTS believes that it is particularly important to use a model that is capable of measuring the option component in mortgages and the effect of financial derivatives on an institution's overall interest rate risk exposure. As a consequence, OTS uses an option-based pricing model to measure exposure and collects detailed financial data on a reporting form that was designed to provide the financial data that OTS needs to measure exposure.

2. Core Capital

Core Capital Requirement: The leverage ratio requirements of the Office of the Comptroller ("OCC"), the Federal Deposit Insurance Corporation ("FDIC"), and the Board of Governors of the Federal Reserve System ("FRB") are tied to Tier 1 capital. These requirements set the minimum leverage ratio rule requirement at 3 percent plus at least 100 to 200 basis points (depending on the CAMEL ratings). The OTS has proposed to adopt a leverage ratio rule conforming with the leverage ratios of the other bank regulatory agencies.

During 1992, the Agencies adopted uniform prompt corrective action regulations, as mandated by section 131 of FDICIA. These regulations require the establishment of specific capital categories based on risk-based capital ratio and leverage ratio measures. The Prompt Corrective Action ("PCA") rules of the Agencies, including the OTS, require compliance with a 4 percent leverage ratio for associations to be in the "adequately capitalized" category.

Goodwill: FIRREA requires "qualifying supervisory goodwill" to be included in core capital under the OTS capital rule through December 31, 1994. The Banking Agencies, in general, do not allow goodwill to be included in calculating core capital.

Reason for OTS Differences: FIRREA requires that the OTS capital rule include a limited amount of qualifying supervisory goodwill in core capital until December 31, 1994 (HOLA 5(t)(3)(A)).

3. Subsidiaries

Subsidiary (general): OTS defines a subsidiary as a 5 percent or greater ownership interest in an entity. The OTS requires consolidation of any subsidiary with the insured institution if the subsidiary is considered to be controlled by the insured institution under generally accepted accounting principles ("GAAP") (except for those engaged in activities impermissible for national banks, as described below). If an association owns a 5 percent or greater interest, but does not have control under GAAP, OTS requires pro-rata consolidation, as discussed below. For the Banking Agencies, subsidiaries are generally consolidated if the parent institution holds more than 50 percent of the outstanding voting stock, or if the subsidiary is otherwise controlled or capable of being controlled by the parent institution (see exception for depository institutions).

Reason for OTS difference: Savings associations, particularly state-chartered institutions, have in the past been allowed to invest in a more expansive list of subsidiaries and equity investments than national banks. OTS has adopted its more stringent policy of requiring pro-rata consolidation of ownership interests of 5 percent or greater, but not constituting GAAP control, because it better reflects the risk that may be posed by such subsidiaries.

Subsidiaries ("impermissible"): FIRREA and the OTS capital rule require the deduction from capital of investments in and loans to subsidiaries that engage in activities not permissible for a national bank. FIRREA originally provided for a five year phase-out of such investments and loans that were made prior to April 13, 1989. In 1992, the Director of OTS was given discretionary authority to extend the phase-out period until mid-1996 for investments in certain real estate subsidiaries provided the conditions contained in the statute are satisfied. During the phase-out period, the percentage of assets corresponding with the non-deducted portion of the assets is consolidated. The Banking Agencies may require deduction on a case-by-case basis.

The FRB deducts investments in, and unsecured advances to, Section 20 securities subsidiaries from a member bank's capital. The FDIC similarly deducts investments in, and unsecured advances to, securities subsidiaries and mortgage banking subsidiaries.

Reason for OTS difference: Although savings associations may own subsidiaries that engage in activities that are prohibited for national banks, the

Home Owners' Loan Act ("HOLA") requires the deduction of investments and loans to such subsidiaries, in accordance with a statutorily prescribed phase-out period. (HOLA 5(t)(5)).

The deduction of investments in subsidiaries from the parent's capital is designed to ensure that the capital supporting the subsidiary is not also used as the basis of further leveraging and risk-taking by the parent association. In deducting investments in and advances to certain subsidiaries from the parent association's capital, the OTS expects the parent savings association to meet or exceed minimum regulatory capital standards without reliance on the capital invested in the particular subsidiary, consistent with FIRREA's mandate.

The deduction of investments in and extensions of credit to impermissible subsidiaries is consistent with, but more broadly applicable than, the FRB's and FDIC's treatment of securities subsidiaries and the FDIC's treatment of mortgage banking subsidiaries.

Consolidation of the remaining assets of the impermissible subsidiaries is required to ensure that sufficient capital is held by savings associations during the phase-out period.

Subsidiaries ("permissible—minority ownership"): The OTS rule requires the pro-rata consolidation of subsidiaries where the association does not have control, as defined under GAAP, but owns a five percent or greater ownership interest in the subsidiary. The bank regulators generally require capital to be held only against the investments in such subsidiaries but may, on a case-by-case basis, deduct them from capital or consolidate them either fully or on a pro-rata basis.

Reason for OTS Difference: OTS believes that its treatment is appropriate and that sufficient capital should be held against the risks of such investments. OTS believes associations are better protected from the economic risk presented by their subsidiaries by requiring capital to be held against the amount of the subsidiaries' assets rather than only assessing an 8 percent capital charge against an institution's investment in such nonconsolidated subsidiaries.

Subsidiaries (lower-tier depository institutions): Under OTS rules, a depository institution subsidiary is automatically consolidated with its parent association if the subsidiary was acquired prior to May 1, 1989. The parent association's investment in such subsidiaries is automatically excluded from the parent association's capital if the depository institution subsidiary was acquired on or after May 1, 1989 (except if it engages only in activities permissible for a national bank, in which case it is consolidated). OTS requires consolidation of lower-tier depository institutions, if consolidation results in a higher capital requirement than the exclusion requirement. For purposes of the risk-based capital regulations, the Banking Agencies generally consolidate majority-owned banking and finance subsidiaries.

Reason for OTS Difference: OTS's policy addresses its concerns about (i) "double-leveraging" of the parent association's capital and (ii) incentives to minimally capitalize lower-tier depository institutions. It also ensures that OTS capital standards are at least as stringent as those imposed on banks. (HOLA 5(t)(5)(A),(C),(E)).

4. *Equity Investments:* OTS requires associations to deduct equity investments from their capital over a five year transition period. Bank regulators allow only a limited range of equity investments and place those investments in the 100 percent risk-weight category, rather than requiring deduction.

In March 1993, OTS issued a final rule that provides parallel treatment of equity investments for thrifts and national banks. Equity investments of thrifts (primarily stock of the Federal Home Loan Mortgage Corporation ("FHLMC"), stock of the Federal National Mortgage Association ("FNMA"), and certain loans with equity characteristics) that are permissible for national banks would be placed in the 100 percent risk weight category.

Reason for OTS Difference: OTS will continue to require the deduction from capital of equity investments that are impermissible for national banks. This approach is designed to insulate the institution and the insurance fund from the risk of these investments. This policy is intended to result in such investments being either divested or "pushed down" into subsidiaries, where savings associations can limit their liability and attempt to attract partial market funding for the subsidiaries. The OTS will address the safety and soundness of equity investments of thrifts that are permissible for national banks through the same capital and supervisory approach used by the Banking Agencies.

5. *20 Percent Risk-Weight for High Quality MBS:* OTS includes agency securities (*i.e.*, issued by FNMA or FHLMC) in the 20 percent risk-weight category. OTS also places high-quality, private-issue, mortgage-related securities (*i.e.*, eligible securities under the Secondary Mortgage Market Enhancement Act ("SMMEA")) in the 20 percent risk-weight category. These private-issue mortgage-backed securities represent interests in residential or mixed use real estate and are rated in one of the two highest investment grade rating categories by a nationally recognized rating agency. Generally, the Banking Agencies place private-issue MBS in the 50 percent or 100 percent risk-weight category.

Reason for OTS Difference: Policy decision to take the high credit quality of these securities into account in risk-weighting these securities.

6. *Qualifying Multi-family Mortgage Loans:* OTS allows certain low-risk multi-family mortgage loans (*i.e.*, buildings with 5–36 units, maximum 80 percent loan-to-value ratios and minimum 80 percent occupancy rates) to qualify for the 50 percent risk-weight category. The Banking Agencies currently place all multi-family mortgage loans in the 100 percent risk-weight category.

OTS and the Banking Agencies are in the process of issuing final rules to implement section 618(b) of the Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991 ("RTC Act"), by reducing the risk weight of multi-family mortgage loans meeting the specified statutory and regulatory criteria to the 50 percent risk weight.

The RTC Act requires OTS and the Banking Agencies to place multi-family mortgage loans in the 50 percent risk weight category if they meet the following criteria: (1) The loan is secured by a first lien, (2) the ratio of the principal obligation to the appraised value of the property, that is, the loan-to-value ratio, does not exceed 80 percent (75 percent if the loan is based on a floating interest rate), (3) the annual net operating income generated by the property (before debt service) is not less than 120 percent of the annual debt service on the loan (115 percent if the loan is based on a floating interest rate), (4) the amortization of principal and interest occurs over a period of not more than 30 years and the minimum maturity for repayment of principal is not less than seven years, (5) all principal and interest payments have been made on time for a period of not less than one year, and (6) meets other prudential underwriting criteria imposed by the Banking Agencies.

Reason for OTS Difference: Policy decision to assess a lower capital charge on such loans and securities in accordance with the requirement of Section 618(b). OTS is working with the Banking Agencies to implement the statutory mandate on a uniform interagency basis.

7. *Intangible Assets:* The final rule on the capital treatment of intangible assets adopted by the OTS generally is consistent with the rules adopted by the Banking Agencies. The final OTS rule, however, contains a grandfathering provision and a transition provision for purchased mortgage servicing rights included in capital prior to adoption of the revised final rule.

The OTS rule also contains a grandfather provision allowing continued inclusion of core deposit premiums included in associations' capital on the effective date of the final rule. These core deposit premiums were previously includable in capital pursuant to temporary OTS guidance if an association's management determined that they passed a three-part test and the amount included did not exceed 25 percent of core capital. The new rule requires the deduction of nongrandfathered core deposit premiums from capital.

Reason for OTS Difference: Policy decision to permit purchased mortgage servicing rights and core deposit premiums to be included in capital if they were previously included pursuant to OTS rule or policy.

8. Recourse Arrangements

Assets Sold with Recourse (Non-Mortgage): If a savings association sells non-mortgage assets with recourse (where the transaction is treated as a sale under GAAP), OTS (i) considers it a sale, and (ii) requires capital to be held against the total amount of the loans sold with recourse through the use of the 100 percent off-balance sheet conversion factor. If a bank sells a non-mortgage asset with recourse (even when the transaction is treated as a sale under GAAP), it is not considered a sale by the Banking Agencies.

Reason for OTS Difference: OTS follows GAAP in determining whether a transaction is a sale. The OTS policy is designed to ensure that sufficient capital is available to absorb the risk associated with the recourse obligation.

Assets Sold with Recourse (Mortgages—Private Transactions): If savings associations sell mortgage assets with recourse to private entities and the transaction is treated as a sale under GAAP, OTS follows the same policy as it follows regarding sales of non-mortgage assets. Under this policy, OTS (i) considers the transaction a sale and (ii) requires capital to be held under the risk-based capital computations through the use of the 100 percent off-balance sheet conversion factor.

Banks that sell pools of residential mortgages to private entities with recourse generally are required to hold the full amount of capital against the mortgages sold regardless of the amount of recourse retained and the treatment of the transaction for regulatory reporting purposes.

The rules of the FRB and OCC, however, provide that no capital is required against pools of 1- to 4- family mortgages sold to private entities with "insignificant recourse" (*i.e.*, less than expected losses) for which a specific non-capital reserve or liability account is established and maintained for the maximum amount of possible loss under the recourse provision.)

If "*significant*" recourse is retained, the transaction is not reported as a sale and the assets remain on the balance sheet. Capital is required to be held against the on-balance sheet amount of the assets. The FDIC follows this approach for all sales with recourse; the FDIC has not adopted an "insignificant recourse" policy.

Reason for OTS Difference: Policy decision to ensure appropriate capital against risk of these assets. OTS, in general, follows GAAP in determining whether a transaction is a sale. Regardless of "sale" treatment, OTS requires capital if savings associations are liable for losses.

Assets Sold with Recourse (Limited Recourse): For risk-based capital purposes only, the OTS limits the capital required on mortgage and non-mortgage assets sold with recourse (that are treated as sales under GAAP) to the lesser of (i) the maximum contractual liability under the recourse arrangement or (ii) the "normal" capital charge on the off-balance sheet assets.

Reason for OTS Difference: Policy decision to ensure appropriate capital against risk of these assets, which is limited to an association's maximum contractual liability under such arrangements.

Recourse servicing: Where savings associations are responsible for credit losses on loans they service, OTS requires capital against the amount of the underlying loans consistent with the recourse policy set forth above. Although savings associations do not "own" the underlying assets, they have a contingent liability and are subject to losses on those loans. OTS requires associations to hold capital against the underlying loans posing economic risk for the associations. The Banking Agencies do not assess capital on the underlying loans but only on the amount of the servicing rights.

Reason for OTS difference: Policy decision to assess capital on underlying loans to buffer associations from risk of loss on such loans.

9. *Purchased Subordinated Securities*: Savings associations are required to hold capital against the amount of subordinated securities and all more senior securities regardless of whether the subordinated securities were originated by the institution or purchased from other parties. Banks are only required to hold capital against the amount of more senior securities if the institution originated and sold the underlying loans. The Banking Agencies do not require banks to hold capital against securities senior to acquired subordinated securities if a bank did not originate and sell the underlying loans.

Reason for OTS difference: Policy decision to ensure appropriate capital against risk of these assets. Whether institutions create subordinated securities or purchase subordinated securities, the risks are similar.

10. *Consequences of Failure to Meet Capital Standards:* The PCA provisions of FDICIA impose a stringent regulatory regimen on thrifts and banks failing their capital requirements. The PCA provisions of section 131 of FDICIA establish five regulatory categories, with the distinctions primarily based on institutions' capital ratios. Section 131 imposes various sanctions and restrictions on institutions in the lower three PCA categories, while other regulations (brokered deposits and the risk-based premium rules of the FDIC) provide preferential treatment to the well-capitalized institutions. The Agencies issued a joint preamble and parallel rules implementing PCA.

Savings associations are also subject to additional restrictions and requirements under the HOLA, as enacted in FIRREA. The OTS will continue to apply these provisions to savings associations, but is coordinating their implementation with the PCA provisions to the extent possible. The HOLA provisions do not apply to banks.

Reason for OTS Difference: The Agencies have adopted uniform rules implementing the PCA provisions of FDICIA. The HOLA, however, continues to impose additional restrictions on savings associations (HOLA 5(t)(6)).

B. Minor Differences

1. *1.5 Percent Tangible Capital Requirement:* OTS has an explicit 1.5 percent tangible capital requirement; the bank regulators do not.

Reason for OTS Difference: FIRREA requires OTS to establish a tangible capital requirement of at least 1.5 percent of assets (HOLA 5(t)(2)(B)). 2.

2. *Collateralized Mortgage Obligations ("CMO") Tranches:* In its final interest

rate risk rule, OTS eliminated the placement of stripped securities and certain collateralized mortgage obligations in the 100 percent risk weight category because of interest rate risk sensitivity. The interest rate risk component will address this risk directly. OTS is keeping residual securities in the 100 percent risk-weight in light of the risks associated with residual securities.

The Banking Agencies vary in their approach: OCC has stated that any CMO tranche absorbing more than its pro-rata share of principal loss risk is risk-weighted at 100 percent (others generally at 20 percent); FRB has stated that any CMO tranche absorbing more than its pro-rata share of loss is risk weighted at 100 percent (others generally at 20 percent); FDIC undertakes a case-by-case review.

Reason for OTS Difference: Policy decision to address the interest rate risk of these securities by imposing capital charge in accordance with interest rate risk rule. The risks involved with residual securities warrant their continued placement in the 100 percent risk weight.

3. *Pledged Deposits/Nonwithdrawable Accounts:* OTS includes these instruments as core capital for mutual associations if they meet the same requirements as non-cumulative perpetual preferred stock. If they do not meet the requirements for inclusion in core capital, OTS includes them as supplementary capital provided they meet the standards for preferred stock or subordinated debt. The Banking Agencies do not address this issue since these instruments do not exist in the banking industry.

Reason for OTS Difference: Policy decision to treat items that offer equivalent protection to the insurance fund and the institution in the same way.

4. *Qualifying Single Family Mortgage Loans:* In order to be placed in the 50 percent risk-weight category, OTS requires that mortgages have no more than an 80 percent loan-to-value ("LTV") ratio (unless they have private mortgage insurance ("PMI") bringing the LTV ratio down to 80 percent). The Banking Agencies require "prudent, conservative" underwriting without specific LTV ratio requirements.

Reason for OTS Difference: Policy decision to make explicit what OTS believes is generally "prudent and conservative"; the Banking Agencies have indicated to OTS that they may use the 80 percent LTV ratio in examiner guidance.

5. *Loans to Individual Purchasers for the Construction of Their Homes*: OTS and OCC place these assets in the 50 percent risk-weight category. The FRB and FDIC may treat them as construction loans (100 percent) or as mortgage loans (50 percent) depending on their characteristics.

Reason for OTS difference: Policy decision to include such loans in standard treatment of 1–4 family mortgage loans, as does the OCC.

6. *Holding of First and Second Liens on Home Mortgages by the Same Institution:* The FDIC, FRB, and OTS generally treat first and second liens held by the same institution as single loans if there are no intervening liens. The OCC generally places second liens in the 100 percent risk-weight category.

Reason for OTS Difference: Policy decision generally to treat combined loans same as single loans. Second mortgages (depending on their characteristics) should be placed in the 50 percent risk weight if both loans are held by the same institution, there are no intervening liens, and they meet the criteria for qualifying mortgage loans.

7. *Rules on Maturing Capital Instruments ("MCI"):* OTS and the Banking Agencies use different rules to determine how much of MCI counts toward capital. OTS (i) grandfathers issuances of MCI issued on or before November 7, 1989 (which was the date of the rule change) and (ii) allows two options for issuances of MCI after November 7, 1989 (a) the bank rule (five year amortization) or (b) a limit of 20 percent of total capital maturing in any one year for instruments within seven years of maturity. Bank regulators use a five year amortization rule.

Reason for OTS Difference: Policy decision to minimize unnecessary disincentives for issuance of subordinated debt and to avoid unduly penalizing pre-FIRREA issuances of MCI.

8. *Limitation on Subordinated Debt:* The Banking Agencies limit subordinated debt to 50 percent of core capital. OTS has no limit on the amount of subordinated debt that can count as supplementary capital.

Reason for OTS Difference: Policy decision to encourage issuance of supplementary capital.

9. *Non-residential Construction and Land Loans:* OTS requires the amount of these loans above an 80 percent LTV ratio to be deducted from total capital (with a five year phase-in). The Banking Agencies place the whole loan amount in the 100 percent risk-weight category.

Reason for OTS Difference: Policy decision to ensure appropriate capital against risk of these assets. OTS experience indicates that high LTV ratio land loans and nonresidential construction loans present particularly high levels of risk.

10. *FSLIC/FDIC-covered Assets:* OTS places these assets in the zero percent risk-weight category. The Banking Agencies generally place these assets in the 20 percent risk-weight category.

Reason for OTS Difference: Policy decision to ensure appropriate capital against risk of these assets. OTS notes that these government guaranteed obligations are supported by a "backup" call on the United States Treasury.

11. *Mutual Funds:* In general, OTS establishes the risk weighting for mutual funds on the asset with the highest capital requirement actually held by the mutual fund. The Banking Agencies base their capital charge on the highest risk-weighted asset that is a permissible investment by the mutual fund. OTS allows, on a case-by-case basis, "pro-rata" risk-weighting of investments in mutual funds, based on the assets of the mutual fund (i.e., if 90 percent of a mutual fund's assets are 20 percent risk-weight assets and 10 percent are 100 percent risk-weight assets, we may allow 90 percent of the investment in 20 percent risk-weight category and 10 percent in the 100 percent risk-weight category). The Banking Agencies do not allow banks to pro-rate mutual fund investments between risk-weight categories.

Reason for OTS Difference: Policy decision to ensure appropriate capital against risk of these assets. OTS believes that allowing institutions to pro-rate their investments and focus on actual assets ensures that savings associations hold capital in an amount essentially equivalent to that required if they directly held the assets in which the mutual fund invested.

12. *Capital Requirement on Holding Companies:* FRB applies the risk-based capital requirements to bank holding companies; OTS does not apply them to thrift holding companies.

Reason for OTS Difference: OTS policy decision to not impose capital requirements on corporate entities that do not pose a risk to the deposit insurance fund.

13. *Agricultural Loan Losses:* The Banking Agencies, due to a statutory requirement, allow such losses to be deferred (and, effectively, allow these losses to be "included" in supplementary capital). OTS does not allow such losses to be deferred or included in assets or capital.

Reason for OTS Difference: OTS has no statutory requirement to allow such deferred losses in assets or capital.

14. *Income Capital Certificates ("ICCs") and Mutual Capital Certificates ("MCCs"):* OTS allows inclusion in

supplementary capital. Because these items do not exist in the banking industry, the Banking Agencies do not address them.

Reason for OTS Difference: ICCs/MCCs are counted as supplementary capital due to their being functionally equivalent to net worth certificates (which are required, by statute, to be included in capital).

15. *Restrictions on Hybrid Capital Instruments:* The Banking Agencies' capital rules contain certain restrictions on hybrid capital instruments (priority of debt, etc.). OTS does not have these restrictions in its capital rule (rather, they are elsewhere in OTS regulations or policy statements).

Reason for OTS Difference: Policy decision to retain flexibility to adapt to innovations in capital instruments. (There is no difference in practice.)

Attachment II

Summary of Differences in Accounting Practices

Differences by each agency in accounting or supervisory reporting practices may cause differences in the amount of regulatory capital maintained by depository institutions. These differences are the result of an evolutionary process that primarily reflects historical agency philosophy and industry trends. A summary of these differences is presented below.

1. Futures and Forward Contracts

OTS practice is to follow generally accepted accounting principles ("GAAP"). In accordance with SFAS 80, when hedging criteria are satisfied, the accounting for the futures contract is to be related to the accounting for the hedged item. Changes in the market value of the futures contract are recognized in income when the effects of related changes in the price or interest rate of the hedged item are recognized. Such reporting can result in deferred gains and losses in accordance with GAAP.

The Banking Agencies do not follow GAAP, but require that banks report changes in the market value of futures contracts even when used as hedges in the current period's income statement. However, futures contracts used to hedge mortgage banking operations are reported in accordance with GAAP.

2. Excess Servicing Fees

OTS practice is to follow GAAP in valuing excess servicing fees. When loans are sold with servicing retained and the stated servicing fee rate differs materially from a normal servicing fee rate, the sales price should be adjusted in determining the gain or loss from the sale of the loans. This provides for the recognition of a normal fee in each subsequent year that servicing continues on the loans. The gain recorded at the date of sale cannot be larger than the gain assuming the loans were sold servicing released. The subsequent valuation of the excess servicing is adjusted based upon anticipated prepayment rates and interest rates.

The Banking Agencies follow GAAP for residential mortgage loan pools. For all other loans (including individual residential mortgage loans), the Banking Agencies do not follow GAAP. In those cases, they require that excess servicing fees retained on loans sold be reported as realized over the contractual life of the transferred asset.

3. In-Substance Defeasance of Debt

OTS practice is to follow GAAP. In accordance with SFAS 76, when a debtor irrevocably places risk-free monetary assets in a trust solely for satisfying the debt and the possibility that the debtor will be required to make further payments is remote, the debt is considered extinguished. The transfer can result in a gain or loss in the current period.

The Banking Agencies do not follow GAAP. The Banking Agencies continue to report the defeased debt as a liability and the securities contributed to the trust as assets with no recognition of any gain or loss on the transaction.

4. Sales of Assets with Recourse

OTS practice is to follow GAAP. A transfer of receivables with recourse is recognized as a sale if (i) the transferor surrenders control of the future economic benefits, (ii) the transferor's obligation under the recourse provisions can be reasonably estimated, and (iii) the transferee cannot require repurchase of the receivables except pursuant to the recourse provisions.

However, in the calculation of OTS risk-based capital, certain off-balance sheet conversions are performed that result in capital being required for the risk retained. See further discussion of capital differences with respect to this item in Attachment I, Capital Differences.

The practice of the Banking Agencies is generally to report transfers of receivables with recourse as sales only when the transferring institution (i) retains no risk of loss from the assets transferred and (ii) has no obligation for the payment of principal or interest on the assets transferred. As a result, assets transferred with recourse are reported as financings, not sales.

However, this general rule does not apply to the transfer of mortgage loans under one of the government programs: Government National Mortgage Association, FNMA, and FHLMC. Transfers of mortgages under one of these programs are automatically treated as sales. Furthermore, private transfers of mortgages are also reported as sales under the rules of the FRB and OCC if the transferring institution does not retain a significant risk of loss on the assets transferred.

5. Negative Goodwill

OTS permits negative goodwill to offset goodwill reported as an asset.

The Banking Agencies require that negative goodwill be reported as a liability, not netted against goodwill assets.

6. Push-Down Accounting

OTS requires push-down accounting when there is at least a 90 percent change in ownership.

The Banking Agencies require push-down accounting when there is at least a 95 percent change in ownership.

7. Offsetting of Amounts Related to Certain Contracts

OTS practice is to follow GAAP. It is a general accounting principle that the offsetting of assets and liabilities in the balance sheet is improper except where a right of setoff exists. FASB Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts" (FIN 39), effective in 1994, defines right of setoff and specifies that four conditions must be met to net assets and liabilities, as well as off-balance sheet instruments.

The three Banking Agencies are planning to adopt FIN 39 solely for on-balance sheet items arising from off-balance sheet derivatives. The Call Report's existing guidance generally prohibits netting of assets and liabilities.

8. Specific Valuation Allowance for and Charge-offs of Troubled Loans

Prior to September 30, 1993, OTS required specific valuation allowances or charge-offs for troubled loans based on the net realizable value of the collateral. Effective September 30, 1993, OTS issued a revised policy that requires charge-offs or specific valuation allowances against a loan when its book value exceeds its "value," as defined. The "value" is either the present value of the expected future cash flows discounted at the loan's effective interest rate, the observable market price of the loan, or the fair value of the collateral. This revised policy, which is similar to the requirements of FASB Statement No. 114, narrows the differences between banks and thrifts.

The Banking Agencies generally consider real estate loans, where repayment is expected to come solely from the collateral that secures the loan, to be "collateral dependent." For such a loan, any portion of the loan balance that is not adequately secured by the value of the collateral, and that can be clearly identified as uncollectible, should be charged off. This approach is consistent with GAAP applicable to banks.

Dated: February 23, 1994.

By the Office of Thrift Supervision.

Jonathan L. Fiechter,

Acting Director.

[FR Doc. 94–5049 Filed 3–4–94; 8:45 am]

BILLING CODE 6720–01–P

Sunshine Act Meetings

Federal Register

Vol. 59, No. 44

Monday, March 7, 1994

This section of the FEDERAL REGISTER contains notices of meetings published under the "Government in the Sunshine Act" (Pub. L. 94-409) 5 U.S.C. 552b(e)(3).

COMMODITY FUTURES TRADING COMMISSION

"FEDERAL REGISTER" CITATION OF PREVIOUS ANNOUNCEMENT: 59 F.R. 9803.

PREVIOUSLY ANNOUNCED TIME AND DATE OF MEETING: 10:30 a.m., Tuesday, March 8, 1994.

CHANGES IN THE MEETING: The Commodity Futures Trading Commission has canceled the meeting to discuss a rule enforcement review.

CONTACT PERSON FOR MORE INFORMATION: Jean A. Webb, 254–6314.

Jean A. Webb,

Secretary of the Commission.

[FR Doc. 94–5293 Filed 3–3–94; 3:18 pm]

BILLING CODE 6351-01-M

NUCLEAR REGULATORY COMMISSION

DATE: Weeks of March 7, 14, 21, and 28, 1994.

PLACE: Commissioners' Conference Room, 11555 Rockville Pike, Rockville, Maryland.

STATUS: Public and Closed.

MATTERS TO BE CONSIDERED:

Week of March 7

Thursday, March 10

2:00 p.m.
Periodic Meeting with the Advisory Committee on Reactor Safeguards (ACRS) (Public Meeting)
(Contact: John Larkins, 301–492–4516)

3:30 p.m.
Affirmation/Discussion and Vote (Public Meeting)
a. Sequoyah Fuels Corp.—Petition for Review of LBP–93–25 (Tentative)
(Contact: Cecilia Carson, 301–504–1625)

Week of March 14—Tentative

Monday, March 14

2:00 p.m.
Briefing by Nuclear Waste Technical Review Board (NWTRB) (Public Meeting)
(Contact: Paula Alford, 703–235–4473)

Friday, March 18

10:00 a.m.
Briefing on Status of Action Plan for Fuel Cycle Facilities (Public Meeting)
(Contact: Ted Sherr, 301–504–3371)

11:30 a.m.
Affirmation/Discussion and Vote (Public Meeting)
a. Supplemental Ethics Regulations (Tentative)
(Contact: John Szabo, 301–504–1610)

2:00 p.m.
Briefing on Investigative Matters (Closed—Ex. 5 & 7)

Week of March 21—Tentative

There are no meetings scheduled for the Week of March 21.

Week of March 28—Tentative

Thursday, March 31

10:00 a.m.
Briefing by Nuclear Energy Institute (NEI) (Public Meeting)

11:30 a.m.
Affirmation/Discussion and Vote (Public Meeting) (if needed)

2:00 p.m.
Briefing by ABB/CE on Status of System 80+ Application for Design Certification (Public Meeting)
(Contact: 301–881–7040)

Friday, April 1

10:00 a.m.
Briefing on Low Level Radioactive Waste Performance Assessment Development Plan (Public Meeting)
(Contact: John Greeves, 301–504–3334)

ADDITIONAL INFORMATION:

By a 4–0 vote on February 28, the Commission determined pursuant to U.S.C. 552b(e) and § 9.107(a) of the Commission's rules that "Affirmation of 'Issuance of Final Rule Reinstating Nonprofit Educational Exemption and Denial of Petition for Rulemaking' and 'Sacramento Municipal Utility District—Licensing Board's Second Prehearing Conference Order, LBP–93–23' " be held on March 1, and on less than one week's notice to the public.

Note: Affirmation sessions are initially scheduled and announced to the public on a time-reserved basis. Supplementary notice is provided in accordance with the Sunshine Act as specific items are identified and added to the meeting agenda. If there is no specific subject listed for affirmation, this means that no item has as yet been identified as requiring any Commission vote on this date.

The schedule for Commission meetings is subject to change on short notice. To verify the status of meetings call (recording)—(301) 504–1292.

CONTACT PERSON FOR MORE INFORMATION: William Hill (301) 504–1661.

Dated: March 2, 1994.

William M. Hill, Jr.,

SECY Tracking Officer, Office of the Secretary.

[FR Doc. 94–5232 Filed 3–3–94; 12:23 pm]

BILLING CODE 7590-01-M

Corrections

Federal Register
Vol. 59, No. 44
Monday, March 7, 1994

This section of the FEDERAL REGISTER contains editorial corrections of previously published Presidential, Rule, Proposed Rule, and Notice documents. These corrections are prepared by the Office of the Federal Register. Agency prepared corrections are issued as signed documents and appear in the appropriate document categories elsewhere in the issue.

DEPARTMENT OF COMMERCE

National Oceanic and Atmospheric Administration

[Docket No. 940119-4019; I.D. 123093G]

Coral and Coral Reefs of the Gulf of Mexico and South Atlantic

Correction

In notice document 94-2417 beginning on page 5179 in the issue of Thursday, February 3, 1994, make the following correction:

On page 5180, in the first column, under ADDRESSES, beginning in the fifth line, remove the phrase "the Gulf of Mexico and South Atlantic may be obtained from".

BILLING CODE 1505-01-D

DEPARATMENT OF COMMERCE

National Oceanic and Atmospheric Administration

50 CFR Part 641

[Docket No. 931070-4010; I.D. 100493A]

RIN 0648-AF84

Reef Fish Fishery of the Gulf of Mexico

Correction

In rule document 94-3176 beginning on page 6588 in the issue of Friday, February 11, 1994, make the following corrections:

1. On page 6588, in the second column, under EFFECTIVE DATE, in the first line, "March 14, 1994" should read "March 9, 1994".

2. On page 6590, in the first column, in the fourth full paragraph, in the last line, "March 14, 1994" should read "March 9, 1994".

BILLING CODE 1505-01-D

DEPARTMENT OF JUSTICE

Immigration and Naturalization Service

[INS No. 1400LI-94; AG Order No. 1854-94]

RIN 1115-AC30

Extension of Designation of Liberia Under Temporary Protected Status Program

Correction

In notice document 94-4742 beginning on page 9997 in the issue of Wednesday, March 2, 1994, in the second column, under EFFECTIVE DATES, in the fourth and fifth lines, "March 3, 1994" and "April 4, 1994" should read "March 2, 1994" and "April 1, 1994" respectively.

BILLING CODE 1505-01-D

DEPARTMENT OF TRANSPORTATION

Notice of Applications for Certificates of Public Convenience and Necessity and Foreign Air Carrier Permits Filed Under Subpart Q During the Week Ended February 18, 1994

Correction

In notice document 94-4577 appearing on page 9800 in the issue of Tuesday, March 1, 1994, in the second column, the heading should read as set forth above.

BILLING CODE 1505-01-D

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Parts 1 and 602

[TD 8508]

RIN 1545-AE26

Adjustments to Basis of Stock and Indebtedness to Shareholders of S Corporations and Treatment of Distributions by S Corporations to Shareholders

Correction

In proposed rule document 93-31928 beginning on page 12 in the issue of Monday, January 3, 1994, make the following corrections:

1. On page 13, in the third column, in the first full paragraph, in the fourth line, "The" should read "the".

§ 1.1367-1 [Corrected]

2. On page 15, in the 3rd column, in § 1.1367-1(c)(2), in the 11th line, insert a period after "year"; and in the 19th line, replace the comma with a semi-colon.

§ 1.1367-2 [Corrected]

3. On page 17, in the second column, in § 1.1367-2(d)(1), in the eighth line from the bottom, insert a period after "corporation".

§ 1.1368-1 [Corrected]

3. On page 19, in the second column, in § 1.1368-1(d), in the second line, "(l) General treatment of distribution." should read "(1) *General treatment of distribution.*"

§ 1.1368-2 [Corrected]

4. On page 21, in the third column, in § 1.1368-2(d), in the second line, "(l)" should read "(1)".

§ 1.1368-3 [Corrected]

5. On page 22, in the third column, in § 1.1368-3, replace the dash with a minus sign in the following places:

a. In *Example 2* (iii), in the fourth line from the bottom.

b. In *Example 3* (ii), in the fifth and ninth lines.

c. In *Example 3* (iv), in the fourth line.

BILLING CODE 1505-01-D

DEPARTMENT OF VETERANS AFFAIRS

38 CFR Part 3

RIN 2900-AG29

Claims Based on Chronic Effects of Exposure to Vesicant Agents

Correction

In proposed rule document 94-1484 beginning on page 3532 in the issue of Monday, January 24, 1994, make the following correction:

§ 3.316 [Corrected]

On page 3534, in the second column, in § 3.316(b), the last line should read "(See § 3.303)."

BILLING CODE 1505-01-D

DEPARTMENT OF VETERANS

38 CFR Part 4

RIN 2900-AE11

Schedule for Rating Disabilities; Genitourinary System Disabilities

Correction

In rule document 94-1045 beginning on page 2523 in the issue of Tuesday, January 18, 1994, make the following correction:

§ 4.115a [Corrected]

On page 2528, in § 4.115a, in the table, in the first entry under "Obstructed voiding", in the second line, "characterization" should read "catheterization".

BILLING CODE 1505-01-D

federal register

Monday
March 7, 1994

Part II

Federal Reserve System

12 CFR Part 205

Electronic Fund Transfer; Final Rule, Proposed Rule and Proposed Official Staff Interpretation

FEDERAL RESERVE SYSTEM

12 CFR Part 205

[Regulation E; Docket No. R–0829]

Electronic Fund Transfers

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: The Board is publishing a final rule to amend Regulation E, pursuant to its authority under sections 904(c) and (d) of the Electronic Fund Transfer Act, to cover electronic benefit transfer (EBT) programs established by federal, state, or local government agencies. EBT programs involve the issuance of access cards and personal identification numbers to recipients of government benefits so that they can obtain their benefits through automated teller machines and point-of-sale terminals. The final rule applies Regulation E to EBT programs but sets forth certain limited modifications under authority granted to the Board by section 904(c) of the act. In particular, periodic account statements are not required if account balance information and written account histories are made available to benefit recipients by other specified means. This rulemaking directly affects government agencies that administer EBT programs and indirectly affects depository institutions and other private-sector entities.

DATES: *Effective date:* February 28, 1994. *Compliance date.* To provide adequate time to prepare for compliance, the Board has delayed mandatory compliance until March 1, 1997.

FOR FURTHER INFORMATION CONTACT: Jane Jensen Gell or Mary Jane Seebach, Staff Attorneys, or John C. Wood, Senior Attorney, Division of Consumer and Community Affairs, at (202) 452–2412 or (202) 452–3667. For the hearing impaired only, contact Dorothea Thompson, Telecommunications Device for the Deaf (TDD), at (202) 452–3544.

SUPPLEMENTARY INFORMATION:

(1) Background

EFT Act and Regulation E

Regulation E implements the Electronic Fund Transfer Act (EFTA). The act and regulation cover any electronic fund transfer initiated through an automated teller machine (ATM), point-of-sale (POS) terminal, automated clearinghouse, telephone bill-payment system, or home banking program and provide rules that govern these and other electronic transfers. The regulation sets rules for the issuance of ATM cards and other access devices; disclosure of terms and conditions of an EFT service; documentation of electronic fund transfers by means of terminal receipts and account statements; limitations on consumer liability for unauthorized transfers; procedures for error resolution; and certain rights related to preauthorized transfers.

The EFTA is not limited to traditional financial institutions holding consumers' accounts. For EFT services made available by entities other than an account-holding financial institution, the act directs the Board to assure, by regulation, that the provisions of the act are made applicable. The regulation also applies to entities that issue access devices and enter into agreements with consumers to provide EFT services.

Government Programs Involving Electronic Delivery of Benefits

The federal government, in conjunction with state and local agencies, is working to expand electronic delivery of government benefits both for direct federal benefit programs and for federally funded programs that are state administered. An electronic benefit transfer (EBT) system functions much like a private-sector EFT program. Benefit recipients receive plastic magnetic-stripe cards and personal identification numbers (PINs) and access benefits through electronic terminals. For cash benefits such as Aid to Families with Dependent Children (AFDC) or Supplemental Security Income (SSI), the programs may use existing private-sector ATM networks as well as POS terminals to disburse benefits. For food stamp purchases, the programs use POS terminals in grocery stores. In some cases the POS equipment is dedicated solely to the EBT program, while in others it also is used for private-sector transactions.

For many state and local agencies, EBT may provide a way to increase operational efficiency, to reduce costs, and to improve service to benefit recipients. Federal legislation that took effect April 1, 1992, provided new impetus for the use of EBT, authorizing the states to use electronic delivery of food stamp benefits in place of paper coupons. States previously could seek approval to use EBT for food stamp benefits only on a demonstration basis. Currently, about 30 states have EBT programs in different stages of operation or development.

In November 1993, the Clinton administration established a Federal Electronic Benefits Task Force. The group's assigned task is to develop and implement a nationwide system for the electronic delivery of benefits from government programs, pursuant to a recommendation from the National Performance Review. In December, the EBT Task Force wrote to the Federal Reserve Board, expressing the federal agencies' commitment to providing consumer protection for EBT recipients, and noting at the same time the need for program integrity and accountability for public funds. The EBT Task Force asked that the Board provide a three-year delay in the effective date if the Board should ultimately decide to apply Regulation E to EBT programs. The EBT Task Force stated that this delay was necessary for implementing EBT in accordance with Regulation E; among other things, the agencies needed the time to collect and evaluate comparative loss data at EBT test sites, data that they could then use as the basis for seeking legislative authorization and funding to pay for replacing benefits lost due to unauthorized transfers.

(2) Discussion

Board Authority

The Federal Reserve Board has a broad mandate under the EFTA to determine coverage when electronic services are offered by other than traditional financial institutions. Section 904(d) provides that in the event EFT services are made available to consumers by a person other than a financial institution holding a consumer's account, the Board shall ensure that the act's provisions are made applicable to such persons and services.

The legislative history of the EFTA provides guidance on the Board's authority to determine if particular services should be covered by the act, based on whether transfers are initiated electronically, whether current laws provide adequate consumer safeguards, and whether coverage is necessary to achieve the act's basic objectives. A Senate Banking Committee report noted that the statutory delegation of authority to the Board enables the Board to examine new services on a case-by-case basis, thereby contributing substantially to the act's overall effectiveness. The Congress contemplated that, as no one could foresee EFT developments in the future, regulations would keep pace with new services and assure that the act's basic protections continue to apply. See S. Rep. No. 915; S. Rep No. 1273, 95th Cong., 2d Sess. 25–26 (1978).

In February 1993 the Board published a proposal to amend Regulation E to cover EBT programs, with certain modifications. 58 FR 8714, February 17, 1993. The Board believes that a number of factors support Regulation E coverage of EBT programs. EBT recipients use the same kinds of access devices and electronic terminals in conducting transactions as do consumers of EFT services in general. Indeed, in EBT systems that piggyback on existing EFT networks, the terminals used are one and the same. The transactions themselves, such as cash withdrawals and purchases, are also similar.

To obtain benefits, recipients insert a magnetic-stripe card into a terminal that reads the encoded information, and enter a PIN to verify their identity. The terminal communicates with a database to ascertain that a recipient is eligible for benefits, that the card has not been reported lost or stolen, and that benefits are available in an amount sufficient to cover the requested transaction. In cash benefit programs, the recipient receives a cash disbursement; in the case of food stamp benefits, the recipient's allotment is charged and the merchant's account credited for the amount of the food purchase. From a recipient's viewpoint, an EBT system functions much the same as if the recipient had an ordinary checking account with direct deposits of government benefits and with ATM and POS service available to access the benefits.

The Board believes that the strong similarity of EBT systems and other EFT services, the act's legislative history, and the language of the EFTA and Regulation E support coverage of EBT programs under the act and regulation. Therefore, the Board has determined that EBT programs must comply with the requirements of Regulation E as modified by this final rule, pursuant to its authority under 904(c) and (d) of the EFTA.

The Board's action, amending the regulation, supersedes an interpretation in the Official Staff Commentary to Regulation E (12 CFR part 205, supp. II). The commentary stated that an electronic payment of government benefits was not a credit or debit to a "consumer asset account" because the account was established by a government agency rather than the consumer (the recipient). The Board has reexamined that interpretation, and has concluded that a sufficient basis does not exist for excluding these accounts from Regulation E's coverage.

The act defines the term "account" to mean "a demand deposit, savings deposit, or other asset account * * * as described in regulations of the Board, established primarily for personal, family, or household purposes * * *." Regulation E uses substantially the same wording, and refers to "other consumer asset account." The reference to "consumer" asset accounts distinguishes them from business-purpose accounts, which are not subject to the regulation.

The EFTA's coverage is not limited to traditional depository institutions, but may extend to any person (including a government agency) "* * * who issues an access device and agrees with a consumer to provide electronic fund transfer services." In the case of EBT programs, the Board's action will affect primarily government agencies that administer EBT programs and issue EBT cards to benefit recipients for accessing benefits, or that arrange for such services to be provided. The revised rule will affect only indirectly most depository institutions and other private-sector entities.

Board's Proposal

While the Board proposed general coverage of EBT under the EFTA, the proposal published in February 1993 modified certain documentation requirements, recognizing differences between EBT and EFT systems. A periodic statement would not be required if information about account balances and account histories were otherwise made available to consumers. In addition, modifications were proposed in the rules on the issuance of access devices, initial disclosures, and the notices on error resolution procedures, to tailor the requirements to EBT programs.

The Board received approximately 175 comment letters on its proposal from a broad range of commenters. About 125 commenters—including state and local agencies that provide benefits, federal agencies, financial institutions, and a bank trade association—opposed the Board's proposal. Many of them requested an exemption for EBT programs from the Regulation E liability and error resolution rules. They asserted that full application of Regulation E would increase the costs of delivering benefits to the point that offering EBT might not be economically feasible, because EBT programs may be only marginally cost-effective even without factoring in Regulation E compliance costs. They expressed the view that the expected advantages of EBT might not be realized if Regulation E were to apply, and that its application would hinder the introduction or expansion of EBT programs.

In place of the Board's proposal, the majority of the commenters supported recommendations given to the Board in May 1992 by an interagency steering committee established within the federal government to coordinate EBT efforts among program agencies. Agencies represented on that group included the Treasury Department's Financial Management Service, the Agriculture Department's Food and Nutrition Service, the Health and Human Services Department's Social Security Administration and Administration for Children and Families, the Office of Management and Budget, and other federal agencies that have an interest in planning for EBT systems. The steering committee's proposal primarily differed from the Board's proposal in that benefit recipients would be liable for unauthorized transfers subject to certain conditions, and the error resolution requirements would not apply if an agency maintained "efficient, fair, and timely procedures" for resolving errors and disputes, including an appeals process.

Anticipating public opposition to Regulation E coverage, the Board in the proposal indicated that commenters should offer explanations of why modifications in the regulatory requirements were needed, together with specifics such as data on costs. Approximately 35 commenters included estimates of the additional cost they believed would be imposed by Regulation E. In some cases the estimates were quite detailed. A few estimates were based on agency experience with the replacement of lost or stolen cards in EBT programs. Most of the cost estimates were based on loss and fraud experience under existing paper-based benefit programs (such as mailed AFDC checks and mailed food coupons). Nationwide, one group estimated the projected costs due to Regulation E, in worst-case scenarios, to be between $164 million and $986 million annually.

Many commenters suggested that private-sector financial institutions differ from government agencies in ways that relate to how compliance costs can be borne. For example, financial institutions can control their costs by selecting the customers to whom they are willing to offer EFT services, while program agencies must accept all who qualify for the benefit program. If a customer of a financial institution is suspected of engaging in fraud, the institution can terminate the account relationship. In a like situation, an agency could shift a recipient from EBT back to the paper-based system, but commenters believe it may not be feasible to operate dual systems.

Similarly, commenters noted, private-sector institutions handle losses related to the Regulation E customer-liability limitations by spreading the losses over their entire customer base in the form of increased fees or reduced interest paid. Agencies cannot do so, and thus losses would have to be paid out of tax revenues, or, where permitted, by reducing benefits. If neither method is available, then the EBT program would be eliminated or cut back.

Approximately 35 commenters supported the Board's proposal. This group included advocacy groups for benefit recipients, financial institutions, a bank trade association, and individuals. These commenters agreed with the premise that the same rules should apply to both EBT recipients and EFT users in the general public, and that both government and private-sector organizations offering EFT services should be subject to the same rules.

Some commenters in this group called for even greater consumer protection for EBT recipients than would be provided by existing Regulation E. For example, one advocacy group argued that the regulation should prohibit mandatory EBT programs. Other commenters urged the Board to require disputed amounts to be provisionally credited to the consumer's account within one business day (instead of 10 business days for ATM transactions, or 20 business days for POS transactions, as allowed by existing Regulation E). A coalition of consumer groups suggested that the limits on liability for unauthorized transactions are too high in the EBT context, and that, for example, the $50 liability that can be imposed even if a recipient promptly reports a lost or stolen debit card should be reduced or eliminated.

Final Action on Proposal

After a review of the comments, further analysis, and a weighing of policy considerations, the Board has adopted a final rule pursuant to its authority under 904 (c) and (d) of the EFTA. The Board's action requires EBT programs to comply with the requirements of Regulation E as modified by this final rule. The Board continues to believe that all consumers using EFT services should receive substantially the same protection under the EFTA and Regulation E, absent a showing that compliance costs outweigh the need for consumer protections. The Board recognizes that benefit program agencies are concerned about the operational and cost impacts of coverage, specifically in the areas of liability for unauthorized transfers and error resolution, but believes that the cost data presented to support exemptions in these areas were not definitive.

The Board has provided a delayed implementation date, making compliance optional until March 1, 1997, in keeping with a request received in December 1993 from the Federal EBT Task Force. As discussed above, the EBT Task Force, which represents all the major agencies with large individual benefit programs, asked for the three-year delay so that agencies could develop and implement a nationwide system for delivering multiple-program benefits in compliance with Regulation E.

The Board's modified rules for EBT programs are limited to programs for disbursing welfare and similar government benefits. Some of the military services, as well as certain private-sector employers, have installed ATMs through which salary and other payments can be made in a manner similar to EBT systems. Such systems remain fully covered by Regulation E.

In bringing EBT accounts within the scope of the EFTA's definition of "account," the Board does not take a position about the legal status of the funds for any other purpose. For example, legal ownership of the funds in EBT accounts (by the recipient or a state, for instance) is not affected by this rulemaking.

Some commenters asked for clarification on whether the Board viewed specialized types of programs, such as Medicaid, or programs using different technology (specifically, smart card programs) as covered by the EFTA and Regulation E. The Board believes that when a consumer can access funds in an account using electronic means, Regulation E is applicable. The Board believes that Medicaid programs do not involve an account within the meaning of Regulation E, given that benefits under these programs are not made available to the consumer in terms of a dollar amount available to be accessed by the consumer, as is the case in EBT programs such as AFDC, SSI, and food stamps.

With regard to smart card systems, the Board has issued a proposal to review Regulation E, also published in today's **Federal Register**, that solicits comment on the question of coverage of smart card systems in general (both public and private sector). Any determination made on coverage of smart cards in the review could apply to EBT smart card programs.

(3) Explanation of New § 205.15

Section 205.15—Electronic Fund Transfer of Government Benefits

A new section is added to the regulation to specifically address the rules on the electronic fund transfer of government benefits. Agencies are generally required to comply with all applicable sections of the regulation. Section 205.15 contains the modified rules for EBT programs on the issuance of access devices, periodic statements, initial disclosures, liability for unauthorized use, and error resolution notices.

Paragraph (a)—Government Agency Subject to Regulation

Paragraph (a)(1)

The act and regulation define coverage in terms of "financial institution." Coverage applies to entities that provide EFT services to consumers whether these entities are banks, other depository institutions, or other types of organizations entirely. The substance of paragraph (a)(1), which defines when a government agency is a financial institution for purposes of the act and regulation, is unchanged from the proposal. Editorial changes have been made for clarity.

Paragraph (a)(2)

The term "account," which is defined generally in § 205.2(b), is defined for purposes of § 205.15 to mean an account established by a government agency for distributing benefits to a consumer electronically, such as through ATMs or POS terminals, whether or not the account is directly held by the agency or a bank or other depository institution. For example, an "account" under this section would include use of a database containing the consumer's name and record of benefit transfers that is accessed for verification purposes before a particular transaction is approved. For purposes of this section, government benefits include cash benefits such as AFDC and SSI and noncash benefits such as benefits under the food stamp program.

Paragraph (b)—Issuance of Access Devices

Under § 205.5, debit cards, PINs, and other access devices may not be issued except in response to a consumer's request or application for a device, or to replace a device previously accepted by the consumer. Financial institutions are permitted to issue unsolicited access devices in limited circumstances under § 205.5(b). The general prohibition against unsolicited issuance is intended to protect a consumer against the issuance of an access device that could be used to access the consumer's funds without the consumer's knowledge and approval or without the consumer's being informed of the terms and conditions applicable to the device.

The Board's final rule makes clear that in the case of EBT, an agency may issue an access device to a recipient without a specific request. A recipient of government benefits is deemed to have requested an access device by applying for benefits that the agency disburses or will disburse by means of EBT. The Board believes that it is unlikely that a government agency would issue an access device without the recipient's being made aware that the way to access benefits is by use of the device and that to safeguard benefits the device must be protected. Moreover, given that initial disclosures would be provided during training, the recipient will be informed of the account's terms and conditions.

The Board does recognize, however, commenters' concerns about the need for agencies to verify the identity of the consumer receiving the device before it is activated. As in the case of the private sector, an issuing agency will have to verify the identity of the consumer by a reasonable means before a device is activated. Reasonable means include methods of identification such as a photograph or signature comparison.

Some commenters expressed concern about the statutory prohibition against the compulsory use of EFT and its implications for EBT programs. Section 913 of the EFTA prohibits requiring a consumer to establish an account at a particular institution for receiving electronic fund transfers as a condition of employment or receipt of government benefits. This prohibition does not prevent an agency from requiring benefits to be delivered electronically.

In EBT programs, agencies do not require recipients to open or maintain bank accounts at a particular institution for the electronic receipt of government benefits. This is the case even when an agency enters into an arrangement with a single financial institution that then serves as the agency's financial intermediary. Consequently, the Board believes that the prohibition against compulsory use is not an impediment to mandatory EBT programs. Nevertheless, pursuant to its authority under section 904(c) of the EFTA, the Board has determined that a government agency with a mandatory EBT program should ensure that recipients of cash benefits have access to other electronic options (for example, direct deposit of benefits to an existing bank account or to an account established by the recipient for that purpose).

Paragraph (c)—Alternative to Periodic Statement

Regulation E requires financial institutions to provide periodic statements for an account to or from which EFTs can be made. Periodic statements are a central component of Regulation E's disclosure scheme. But as long as other means of obtaining account information are available to benefit recipients, the Board believes that periodic statements are not absolutely necessary for EBT programs due to the limited types of transactions involved, particularly given the expense of routinely mailing monthly statements to all recipients. Moreover, requiring periodic statements could impede the effort to eliminate paper and move toward a fully electronic system. Most commenters supported the Board's proposal to exempt government agencies from the requirement if the agency furnishes the consumer with other means of accessing account information.

Under the proposal, agencies were to provide balance information by means of an electronic terminal, balance inquiry terminal, or a readily available telephone line, and to make available a written account history upon request. The final rule contains these alternatives with modifications that respond to the comments.

To make balance information readily available, the proposal also would have required that the terminal receipt show the balance available to the consumer after the transfer. A number of commenters stated that this requirement would be difficult for some EBT systems to implement because existing ATM networks may not be capable of providing current account balances at all times. Commenters suggested that giving consumers access to balance information by other means (such as telephone or balance inquiry terminals) would achieve the same purpose. Accordingly, the final rule does not require that terminal receipts include the account balance as long as a consumer can access balance information by the other means set forth in paragraph (c) of this section.

A number of commenters urged that agencies should not make telephone access the only method by which a recipient can obtain an account balance. Taking these comments into consideration, the Board has modified the final rule. The final rule requires, in addition to a telephone line, at least one alternative method (such as a balance inquiry terminal) for access to balance information.

Commenters suggested that the telephone line be toll-free and available on a 24-hour basis. For EFT systems generally, the Board interprets a readily available telephone line to mean at least a local or toll-free line available during standard business hours. The Board believes that the same interpretation is appropriate for EBT systems, although an agency may of course choose to provide recipients with a 24-hour line.

Commenters requested that the Board provide certainty by clarifying how a consumer may request a written account history and the time period for compliance. The final rule clarifies that a request may be either written or oral, that the history should cover the 60 calendar days preceding the request date, and that the history should be provided promptly upon request. In addition, commenters asked for clarification about whether an agency could charge for written account histories or other disclosures required by the regulation. The Board believes that imposing fees in such instances would be contrary to public policy.

The Board had solicited comment on whether more complex EBT systems developed in the future (for example, systems allowing third-party payments) may necessitate periodic statements or other documentation, and whether the Board should address this issue at present. Several commenters encouraged the Board not to address the issue at this time, but to delay a decision until performance under the final rule can be assessed. Accordingly, the Board has deferred taking a position at this time.

Paragraph (d)—Modified Requirements

Paragraph (d)(1)—Initial Disclosures

Section 205.7 requires that written disclosures of the terms and conditions of an EFT service be given at or before the commencement of the service. Three disclosures have been modified for EBT programs. Under paragraph (d)(1)(i), government agencies must disclose the means by which the consumer may obtain account balance information, including the telephone number for that purpose. The disclosures will explain the ways in which balance information will be made available. (See model disclosure form A(12) below.) Under paragraph (d)(1)(ii), agencies must disclose that the consumer has the right to receive a written account history, upon request, and must provide a telephone number for obtaining the account history. This disclosure substitutes for the disclosure of a summary of the consumer's right to a periodic statement under § 205.7(a)(6) of the regulation. Under paragraph (d)(1)(iii), agencies must provide an error resolution notice substantially similar to model disclosure form A(13) rather than the notice currently contained in § 205.7(a)(10).

Paragraph (d)(2)—Annual Error Resolution Notice

Section 205.8(a) of the regulation requires that financial institutions provide a notice in advance of certain adverse changes to terms that were disclosed in the initial disclosures. No modification has been made for EBT programs. Consequently, agencies will have to provide a notice for certain changes in terms, such as in transaction limitations. Other changes, such as a decrease in the amount of a consumer's benefits, continue to be governed only by the agencies' program rules.

Section 205.8(b) of the regulation requires financial institutions to provide periodic error resolution notices to consumers, either annually or with each monthly account statement. In substitution for these notices, paragraph (d)(2) requires agencies to provide an error resolution notice substantially similar to model disclosure form A(13). The notice is to be provided annually.

Paragraph (d)(3)—Limitations on Liability

Section 205.6 of the regulation limits a consumer's liability for unauthorized transfers. If the consumer notifies the account-holding institution within two business days after learning of the loss or theft of a debit card, the consumer's liability is limited to $50. If notification is not made until after two business days, liability can rise another $450 for transfers made after two business days, for a total of $500. If the consumer does not notify the institution until more than 60 days after a periodic statement is sent showing an unauthorized transfer, the consumer's liability is unlimited for unauthorized transfers occurring after the 60th day and before notification.

The Board believes that the EFTA generally mandates the same degree of protection for benefit recipients as for the general public. The Board solicited comment on potential costs associated with implementing the liability rules for EBT programs and why such implementation would present a greater burden for government agencies than that experienced by financial institutions. Commenters submitted data on the expected cost impact of Regulation E on EBT programs, specifically on costs related to the limitations on consumer liability for unauthorized transfers and error resolution requirements; as discussed earlier, however, the Board believes the data are not definitive. Under the final rule, therefore, the limits on liability for unauthorized use, the error resolution requirements, and most other provisions of Regulation E would apply to EBT.

The Board recognizes the concerns about the potential cost impact of coverage, especially in regard to unauthorized use because of the potential for abuse through fraudulent claims. The Board believes, however, that through the leadership of the Federal Electronic Benefits Task Force, which has the goal of developing a nationwide system for delivering government benefits electronically, it should be possible for the agencies to implement cost-effective procedures that will help minimize the risk of fraudulent claims and potential abuse of EBT systems.

The Board notes in particular that Regulation E does not mandate an automatic replacement when a claim of lost or stolen funds is made. In the case of EBT as in the private sector, the agency would investigate the claim, consider the available evidence, and exercise judgment in making a determination about whether the transfer was unauthorized or was made by the recipient or by someone to whom the recipient gave access. The Board does not underestimate the difficulties that these investigations may pose for EBT program agencies. But the Board also believes that practical ways can be found, within the scope of Regulation E, that will enable EBT administrators to control potential losses.

The operational procedures developed to minimize risk will need to address some aspects of EBT that are different from the commercial setting—such as the fact that program agencies, unlike private sector institutions, may not be able in cases of suspected fraud or abuse simply to terminate their relationship with the recipient. Some of the measures that federal agencies have inquired about, which may be compatible with the special requirements of EBT, relate to aspects of the relationship that are not addressed by Regulation E. Thus their implementation would not conflict with regulatory requirements. Some of these include putting recipients on restricted issuance systems—requiring, for instance, that the recipient call in advance for authorization before each access to benefits, or restricting the sites at which the recipient could obtain benefits, or crediting the recipient's benefits in weekly increments rather than the full monthly amounts. Or the agency could appoint a representative payee, or place the recipient on a backup paper-based benefit payment system. Imposing these or other limitations may not be desirable from either an agency's or the recipients' perspective except in circumscribed situations. But if found to be cost-effective, such measures represent some possible approaches for dealing with recipients who show themselves to be irresponsible in their use of the EBT system.

In regard to recurring claims for the replacement of benefits, EBT agencies may not establish a presumption that, because a recipient has filed a claim in the past, the recipient's assertion of a second claim of unauthorized withdrawals can be automatically rejected. On the other hand, depending on the circumstances, it would not be unreasonable for the agency, in making its determination about the validity of a claim, to give weight to the fact that a particular recipient within a certain period of time has previously filed a claim, or multiple claims, of stolen funds. The Board believes that these are just some of the areas in which the Federal EBT Task Force can be helpful in setting operating guidelines and procedures.

Regulation E provides that a consumer may bear unlimited liability for failing to report within 60 days any unauthorized transfers that appear on a periodic statement. Because EBT recipients will not receive periodic statements, under the Board's proposal the 60 days would have run from the transmittal of a written account history provided upon the consumer's request. The final rule differs somewhat in that the 60-day period also can be triggered when the consumer obtains balance information via a terminal or telephone or on a terminal receipt.

Paragraph (d)(4)—Error Resolution

Section 205.11 of Regulation E sets certain time limits within which a consumer must file a notice of an alleged error. Under the Board's proposal for EBT, government agencies were to comply with the error resolution procedures in § 205.11 in response to an oral or written notice of error from the consumer received no later than 60 days after the consumer obtained a terminal receipt or a written account history on which the alleged error was reflected. The final rule differs somewhat, in that error resolution procedures can be triggered by any information provided to the consumer under paragraph (c).

List of Subjects in 12 CFR Part 205

Consumer protection, Electronic fund transfers, Federal Reserve System, Reporting and recordkeeping requirements.

For the reasons set forth in the preamble, the Board amends 12 CFR part 205 as follows:

PART 205—ELECTRONIC FUND TRANSFERS (REGULATION E)

1. The authority citation for part 205 is revised to read as follows:

Authority: 15 U.S.C. 1693.

2. Section 205.15 is added to read as follows:

§ 205.15 Electronic fund transfer of government benefits.

(a) *Government agency subject to regulation.* (1) A government agency is deemed to be a financial institution for purposes of the act and regulation if directly or indirectly it issues an access device to a consumer for use in initiating an electronic fund transfer of government benefits from an account. The agency shall comply with all applicable requirements of the act and regulation, except as provided in this section.

(2) For purposes of this section, the term *account* means an account established by a government agency for distributing government benefits to a consumer electronically, such as through automated teller machines or point-of-sale terminals.

(b) *Issuance of access devices.* For purposes of this section, a consumer is deemed to request an access device when the consumer applies for government benefits that the agency disburses or will disburse by means of an electronic fund transfer. The agency shall verify the identity of the consumer receiving the device by reasonable means before the device is activated.

(c) *Alternative to periodic statement.* A government agency need not furnish the periodic statement required by § 205.9(b) if the agency makes available to the consumer:

(1) The consumer's account balance, through a readily available telephone line and at a terminal (which may include providing balance information at a balance-inquiry terminal or providing it, routinely or upon request, on a terminal receipt at the time of an electronic fund transfer); and

(2) A written history of the consumer's account transactions for at least 60 days preceding the date of a request by the consumer. The account history shall be provided promptly in response to an oral or written request.

(d) *Modified requirements.* A government agency that does not furnish periodic statements, pursuant to paragraph (c) of this section, shall comply with the following requirements:

(1) *Initial disclosures.* The agency shall modify the disclosures under § 205.7(a) by providing:

(i) *Account balance information.* The means by which the consumer may obtain information concerning the account balance, including a telephone number. This disclosure may be made by providing a notice substantially similar to the notice contained in section A(12) of appendix A of this part.

(ii) *Written account history.* A summary of the consumer's right to receive a written account history upon request, in substitution for the periodic statement disclosure required by § 205.7(a)(6), and a telephone number that can be used to request an account history. This disclosure may be made by providing a notice substantially similar to the notice contained in section A(12) of appendix A of this part.

(iii) *Error resolution notice.* A notice concerning error resolution that is substantially similar to the notice contained in section A(13) of appendix A of this part, in substitution for the notice required by § 205.7(a)(10).

(2) *Annual error resolution notice.* The agency shall provide an annual notice concerning error resolution that is substantially similar to the notice contained in section A(13) of appendix A of this part, in substitution for the notice required by § 205.8(b).

(3) *Limitations on liability.* For purposes of § 205.6(b) (2) and (3), in regard to a consumer's reporting within 60 days any unauthorized transfer that appears on a periodic statement, the 60-day period shall begin with the transmittal of a written account history or other account information provided to the consumer under paragraph (c) of this section.

(4) *Error resolution.* The agency shall comply with the requirements of § 205.11 in response to an oral or written notice of an error from the consumer that is received no later than 60 days after the consumer obtains the written account history or other account information, under paragraph (c) of this section, in which the error is first reflected.

3. Appendix A to part 205 is revised by adding sections A(12) and A(13) to read as follows:

Appendix A to Part 205—Model Disclosure Clauses

* * * * *

Section A(12)—Disclosure by Government Agencies of Information About Obtaining Account Balances and Account Histories (§ 205.15(d)(1) (i) and (ii))

You may obtain information about the amount of benefits you have remaining by calling [telephone number]. That information is also available [on the receipt you get when you make a transfer with your card at (an ATM)(a POS terminal)][when you make a balance inquiry at an ATM][when you make a balance inquiry at specified locations].

You also have the right to receive a written summary of transactions for the 60 days preceding your request by calling [telephone number]. [Optional: Or you may request the summary by contacting your caseworker.]

Section A(13)—Disclosure of Error Resolution Procedures for Government Agencies That Do Not Provide Periodic Statements (§ 205.15(d)(1)(iii) and (d)(2))

In Case of Errors or Questions About Your Electronic Transfers Telephone us at [telephone number] or Write us at [address] as soon as you can, if you think an error has occurred in your [EBT][agency's name for program] account. We must hear from you no later than 60 days after you learn of the error. You will need to tell us:

- Your name and [case] [file] number.
- Why you believe there is an error, and the dollar amount involved.
- Approximately when the error took place.

If you tell us orally, we may require that you send us your complaint or question in writing within 10 business days. We will generally complete our investigation within 10 business days and correct any error promptly. In some cases, an investigation may take longer, but you will have the use of the funds in question after the 10 business days. If we ask you to put your complaint or question in writing and we do not receive it within 10 business days, we may not credit your account during the investigation.

For errors involving transactions at point-of-sale terminals in food stores, the periods referred to above are 20 business days instead of 10 business days.

If we decide that there was no error, we will send you a written explanation within three business days after we finish our investigation. You may ask for copies of the documents that we used in our investigation.

If you need more information about our error resolution procedures, call us at [telephone number][the telephone number shown above].

By order of the Board of Governors of the Federal Reserve System, February 24, 1994.

William W. Wiles,

Secretary of the Board.

[FR Doc. 94–4681 Filed 3–2–94; 12:38 pm]

BILLING CODE 6210–01–P